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Memorandum regarding the carrying through of sales transactions of copper from Switzerland, with appropriate intermediary financing.

(the originator of this memorandum is not indicated)
Date: 19 February 1954

The firm which prepared this memorandum (hereafter referred to as "the firm") has been dealing with copper sales intensively for 2½ years. Copper deals with Chile are not the same as copper sales transacted on the stock exchange. The entire Chilean copper market is under the control of the Chilean government, which ~~in~~ in turn leaves the entire administration for copper sales to the Banco Central. Chilean copper is not sold at world market prices. The price is determined by the Government, that is to say Parliament. Chilean copper prices have always been above the world market prices. ~~During~~ During the last two years the demand for copper from the Soviet bloc countries has been enormous, however, until now no arrangement could be made with Chile, since the disagreeing terms of buyer and seller could not be conciliated.

The Banco Central of Chile according to law, may sell the copper only FOB a Chilean port, whereas the Soviet bloc countries only will accept FOB a Benelux port. Thus the main problem in arranging the transaction is the intermediary financing.

The firm has a branch office in Chile, which has deposited a West certificate (possibly an affidavit that shipment will only be made to non Soviet Bloc countries) for 25,000 tons at the Banco Central. This West certificate has been accepted by the Banco Central since it was legalized by all Danish government offices. Therefore, this firm can make shipments of 25,000 tons copper against this certificate. Corresponding acceptance cables have been received. Also, sufficient buyers are available who are ready to open a check deposit or a letter of credit at a Swiss bank for deliveries FOB a Benelux port.

Mr. Siebermann stated today that the recipient of this memorandum would be willing to undertake the intermediary financing. The firm would thus be in a position to start immediately with a shipment of 3,000 tons and would like to receive a written confirmation from the recipient of this memorandum that the financing against corresponding collateral will be undertaken. The firm would also like to know the rate for financing. All letters of credit expenses must be included in the ~~fix~~ rate.

The firm would also like to point out, that after receipt of the confirmation, a Swiss bank designated by the recipient of this memorandum is immediately to advise the "Banco de Chile" of the existence of the corresponding collateral (naturally only after the advance notification of the credit has been received from the purchaser.) As soon as the Banco de Chile receives the bank confirmation, a 2% performance bond as delivery guarantee will be posted with Lloyds Insurance Company, London/Santiago. The goods will be insured against all risks, including confiscation.

The firm assures that together with their branch firm in Chile, they will take care of the shipment in an unobjectionable and correct manner. For the intermediary financing as well as for the carrying through of the transaction, 60 to 70 days must be calculated, depending on available cargo space. The Banco Central has confirmed by telegram that they would make delivery of the 25,000 tons within 30 days after receipt of corresponding collateral. The firm feels the transaction should be made in partial shipments of maximum 3,000 tons each.

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